

# **DOWNPAYMENT ASSISTANCE PROGRAM**

## **PURPOSE**

The Downpayment Assistance Program (DAP) provides deferred payment loans to income eligible applicants who would not otherwise qualify for home ownership.

## **FUNDING**

Funds for DAP come from the HOME Investment Partnerships Program provided on an entitlement basis from the U.S. Department of Housing and Urban Development (HUD).

## **ELIGIBLE AREA**

The eligible area is the entire unincorporated area of Fresno County. Cities, which are a part of Fresno's Urban County designation, may use HOME funds.

## **ELIGIBLE APPLICANT**

The applicant shall:

1. Have gross family income that is no more than 80 percent of median.
2. Plan to use the home as a principal place of residence.
3. Qualify, with a conventional lender, for a home purchase loan.
4. Receive homebuyer's counseling.
5. Provide at least 3% of the sales price at close of escrow.

## **ELIGIBLE STRUCTURES**

New or existing single family structures and condominiums are eligible structures. Prior to loan closing, structures must meet HUD's housing quality standards.

## **ELIGIBLE COSTS**

DAP may be used for the down payment and reasonable and customary charges for closing costs, prepaid items, points, a home inspection, and home warranty insurance in accordance with policies of the primary lender.

## **APPLICATION PROCEDURES**

Applicants whose incomes do not exceed the limit may select a home in an eligible area at a price that does not exceed \$146,550. The applicant may then select a lender and apply for preliminary approval of a loan to purchase a home. The primary lender will review an applicant's income, credit history, debt ratios; require an appraisal; and evaluate the loan to value ratio in accordance with the primary lender's policies. If the borrower meets all of the primary lender's requirements, the lender submits the DAP application to the County.

## **LOAN TERMS**

DAP provides no-interest loans for which payment is deferred until transfer of title, sale, cash out, or a refinance that increases the loan balance. DAP loan principal shall be in the minimum amount necessary for the buyer to qualify for home ownership (at least \$1,000). The upper limit of the DAP loan is 5% of the lesser of the sales price or the appraised value plus closing costs up to a maximum of \$4,000. The County may periodically adjust this maximum based on 3.7% of the average price of home sales as determined by

the Fresno Association of Realtors. DAP terms and conditions are included on a Promissory Note secured by a Trust Deed that is subordinate to the primary loan.

## **DEBT-TO-INCOME AND LOAN-TO-VALUE RATIOS**

The ratio of debt to the buyer's income and the ratio of the primary and DAP loans to property value are guided by the primary lender's policies.

## **PURCHASE PRICE**

The purchase price of the home cannot exceed the limits set by HUD, which is 95% of the FHA loan limit for Fresno County.

## **HOMEBUYER'S COUNSELING**

DAP applicants must complete the homebuyer's counseling class put on by the City/County of Fresno Housing Authority. The class includes segments on home buying, loan closing, budgeting, credit, home maintenance, and energy conservation. The Lender must submit applicant's income information to the County prior to the DAP loan being approved. County staff will enroll the applicant(s) in the class that is paid for by the County's Affordable Housing Program.

## **TENANT-OCCUPIED HOMES FOR SALE**

Homes occupied by a tenant or vacant and previously occupied by a tenant are eligible for DAP assistance provided the following conditions are met: the tenant is not occupying the residence at close of escrow, the tenant signs a waiver to relocation benefits, or the tenant received a written notice prior to occupying the unit, of the possibility that displacement may occur and that relocation assistance will not be provided.

## **LOAN APPROVAL**

DAP loans are quickly approved by County staff after the applicant(s) income eligibility has been approved, the primary loan has been approved by the lender and the applicant(s) has completed the Home Ownership Training class. The County's Finance Committee does not approve DAP's. The Loan Officer verifies all applications. The Principle Rehabilitation Specialist will randomly select applications for review and verification.